BERNIE MORENO
OHIO

United States Senate

WASHINGTON, DC 20510

June 18, 2025

The Honorable Jerome Powell
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave NW
Washington, DC 20551

Dear Chair Powell:

As a member of the Senate Committee on Banking, Housing, and Urban Affairs, I write to express serious concern with the Federal Open Market Committee's (FOMC) decision-making process that led to today's announcement that interest rates would remain unchanged. Recent reports indicate that you and the other members of the FOMC are relying on a strained interpretation of the impact of tariffs on future inflation expectations to justify the current course of action. I have serious concerns that this approach is intellectually flawed and not grounded in evidence, and I believe that your decision could have drastic consequences for our economy.

Since taking office in January, President Trump has kept his promise to bring inflation under control. After four years of sky-high cost increases, American families need relief. Affordability is the top concern of citizens across the country, who are demanding that their government prioritize making life affordable again. In Ohio, I hear time and time again that working class families no longer believe they can attain the American dream because the cost of buying a house, or a car has skyrocketed. President Trump is fulfilling his end of the bargain, ending the inflation crisis brought on by President Biden's reckless spending. But unfortunately, the Federal Reserve is stuck in this Biden-era mindset and is moving far too slowly to deliver relief to Americans struggling to afford a mortgage or car loan at today's interest rates.

The most recent Consumer Price Index and Personal Consumption Expenditures index both are sending a clear message: inflation is back at the Board's 2 percent target. Consistent with the Fed's dual mandate of maximum employment and stable prices, now is the time to lower interest rates. However, the FOMC has continued to keep interest rates unchanged at 4.25 percent to 4.5 percent for four consecutive meetings of the Committee, dating back to December 2024. The FOMC has ignored several consecutive positive inflation reports, failing to recognize the progress made during the Trump Administration.

Recent reports indicate that the FOMC is hesitant to lower interest rates because of the fear of tariffs. For decades, free trade economists have decried tariffs by throwing every argument against the wall to see what sticks, saying that "tariffs are a tax," "tariffs are inflationary," and "tariffs hurt economic growth." Politicians who listened to these economists over the last several decades have presided over the destruction of our country's manufacturing sector, the loss of millions of high-wage, family-sustaining jobs, and the desolation of communities in states like Ohio. President Trump is finally standing up against the failed global trade regime, and fighting for fair, reciprocal trade that benefits American workers.

Despite this track record of failure, the FOMC appears to be giving credence to economists' latest anti-tariff argument, that the tariffs President Trump announced on April 2nd will raise "inflation expectations" which economists *theorize* can lead to actual inflation. So having been proven wrong that the tariffs would immediately crash our economy and spike inflation, so-called experts are pivoting to a new explanation, this nebulous concept of "inflation expectations". Of course, economists and their friends in the media are the ones who are *fueling* these inflation expectations, by telling the American people every chance they get that inflation will spike because of the new tariffs. And after raising inflation expectations with fearmongering, the FOMC uses this as justification for not cutting rates. This circular logic is intellectually dishonest and represents an extremely flawed approach to management of our nation's economic policy.

In order to better understand the decision-making process for members of the Federal Open Market Committee, I ask you to respond to the following questions no later than June 25, 2025.

1. Please define how the FOMC defines "inflation expectations" and please share how the FOMC measures "inflation expectations".
2. What methodology is used to gather these data on "inflation expectations" and how does this compare to the methodology used to gather data on actual inflation?
3. How does the FOMC weigh different measures of "inflation expectations" given that different measures don't always agree?
4. You have commented on several occasions about the President's tariff policy, including on April 16, 2025, when you said that the effects of tariffs "will include higher inflation and slower growth." Do you bear any responsibility for raising "inflation expectations" among consumers with such alarmist rhetoric?

Thank you for your attention and consideration.

Sincerely,

Bernie Moreno
United States Senator